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C O N F I D E N T I A L SECTION 01 OF 03 YEREVAN 000489

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SUBJECT: ARMENIA'S NORTHWEST PROVINCE: DEAD END?

REF: A) YEREVAN 280 B) TBILISI 619

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Classified By: DCM A.F. Godfrey for reasons 1.4 (b, d).

SUMMARY

1. (C) Armenia's northwest Shirak province is bound by a closed border with Turkey to the west and the Samstkhe-Javakheti region of Georgia to the north. A 1988 earthquake centered in Shirak killed tens of thousands of people and leveled a significant portion of the region's infrastructure. Almost 18 years later, many households still have only sporadic access to potable water, limited electricity, and no natural gas. With unemployment prevalent, households survive on remittances from family members who have left Shirak to find work in Russia or Yerevan. During our March 21 visit to Gyumri (Shirak's capital), Ashotsk (near Armenia's borders with Georgia and Turkey), and Bavra (on the Armenia-Georgia border), we met with local community leaders and political party officials who identified these and other challenges but responded to our inquiries about their plans to develop the region with blank stares and rambling nonsequiturs. They expressed hopes, but few plans, for attracting Millennium Challenge Account investment and for opening Armenia's borders to trade by settling conflicts with Azerbaijan and Turkey. The potential economic impact of unrest in Georgia's Samstkhe-Javakheti region (ref B), they said, was a significant issue for Shirak. Community and party leaders traded assertions that upcoming parliamentary (2007) and presidential (2008) elections, far from focusing debate on these important issues, would be the next forum for competing parties to bribe Shirak's electorate. End Summary.

SHIRAK'S LANDSCAPE

2. (SBU) Until the 1988 earthquake that leveled much of Gyumri (Shirak's capital) and several of its surrounding towns and villages, Gyumri was Armenia's second largest city. Notwithstanding the tens of millions of dollars in international humanitarian assistance and economic development initiatives since the earthquake (approximately USD 30 million in USAID earthquake zone rehabilitation alone), Shirak is still recovering and rebuilding. The closed border to Turkey to the west and the Samstkhe-Javakheti region of Georgia to the north frame the province. Crumbling railways and decaying highways cross the length of Shirak and could, with an open border to Turkey and intensive reconstruction, revitalize the region with

international transit and trade. An airport which shares runways with the 102nd Russian Airbase provides limited commercial service to CIS countries about 3 times a week.

13. (SBU) According to a January 2005 report by the Armenian National Statistical Service, Shirak's three urban communities, 116 rural communities, and 128 villages totaled 281,000 residents, of which 172,000 resided in the three urban communities. Many households still have only sporadic access to potable water, limited electricity, and no supply of natural gas. Households survive by subsistence farming and remittances from family members who have left to find work in Russia or Yerevan.

A LONG WAY FROM YEREVAN

14. (C) "We are only one hundred kilometers from Yerevan, but in terms of political and economic development, Shirak might as well be one thousand," Millennium Challenge Account (MCA) Armenia NGO Board Member and Asparez Journalists Club President Levon Barseghyan told us. According to Barseghyan, corrupt national and local governments, a flawed electoral system, and a lack of specific policy agendas from the numerous parties lining up to split the spoils of a new election cycle had already set the stage for "more of the same" in 2007 and 2008. "Gyumri's mayor is the symbol of how far away this region, and this country, is from democracy," Barseghyan said. Despite widespread rumors of corruption, and reports that he had ordered "politically and financially motivated killings," Gyumri's mayor was elected to a second term, Barseghyan said.

MCA WELCOMED BUT REQUIRES STRICT MONITORING

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15. (SBU) "If not managed properly, at least 50 million" of the USD 235 million MCA assistance package "will be stolen," claimed MCA Armenia NGO Board Member and Asparez Journalists Club President Levon Barseghyan. Under the current structure, members of the GOAM MCC implementation team, which has both implementation and monitoring responsibilities for MCA programs, would exploit their positions "at every possible opportunity."

16. (SBU) Excited about the opportunity to bring money and projects to his rural farming village, Ashotsk Mayor Artur Aloyan said he had submitted "several proposals" to the Shirak Governor's office. Both he and Shirak Governor's Chief of Staff Norik Grigoryan said they were anxiously waiting for responses on the numerous proposals which towns and villages from throughout Shirak had submitted.

COALITION PARTIES ORDERED TO ENSURE FAIR ELECTIONS?

17. (C) Local governing coalition party leaders and government officials asserted that the 2007 parliamentary election would differ from previous elections, as party leaders in Yerevan -- spurred in part by MCC standards -- had issued explicit orders to local officials to ensure that the elections were free and fair. Those orders notwithstanding, Shirak's community leaders and party officials pointed fingers at opposing parties, claiming that, while their own parties had faithfully observed Armenia's elections laws, competitors had bribed (and would continue to bribe) Shirak voters.

18. (C) An Armenian customs official in Bavra affiliated with Armenia's Constitutional Rights Union, told us that the governing coalition Republican Party, the most active in the village, typically garnered support by distributing fuel,

food, and money in exchange for votes. Shirak Governor's Chief of Staff and Ramkavar Party official Norik Grigoryan asserted that NA Speaker Artur Baghdasarian's Orinats Yerkir Party and wealthy businessman Gurgen Arsenyan's United Labor Party were the most egregious vote buyers in Shirak. Armenian Revolutionary Federation (ARF - "Dashnaksutyun") representative Hovik Petrosyan similarly singled out Orinats Yerkir and the United Labor Party for "extreme electoral corruption."

"NEW" PARTIES NOT YET ON THE SCENE IN SHIRAK

¶9. (C) Of the crowded constellation of small political parties (ref A), including Armenian business tycoon Gagik Tsarukian and his Prosperous Armenia Party, only former

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"Nagorno-Karabakh Minister of Defense" Samvel Babayan and his Alliance ("Dashink") Party appeared to have an active presence in Shirak. With three strategically-situated downtown campaign offices, Babayan's Dashink has already organized active women and youth groups who were canvassing Gyumri.

¶10. (C) Despite repeated promises from Viktor Dallakian, whom Tsarukian deputized to lead "Prosperous Armenia," Dallakian

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finally told us party representatives were "unavailable to meet" with us. (Comment: We believe Prosperous Armenia had neither established a local office nor identified a local representative. End Comment.) The New World Party had identified office space but had not yet opened for business, according to Shirak Governor's Chief of Staff Norik Grigoryan. MCA Armenia NGO Board Member and Shirak Asparez Journalists Club President Levon Barseghyan alleged that President Robert Kocharian had engineered the creation of both parties to fracture constituencies, simultaneously weakening representation in the National Assembly and strengthening the power of the executive.

SHIRAK GOING NOWHERE WITHOUT RESOLVING REGIONAL CONFLICTS

¶11. (C) Community leaders and party officials in Gyumri, Ashotsk, and Bavra asserted that, beyond successfully reining in corruption, economic development in Shirak would rest on the resolution of regional conflicts and border disputes, primarily with Turkey and Azerbaijan. Shirak Governor's Chief of Staff and Ramkavar Party official Norik Grigoryan added, as did many of the local community leaders and party officials with whom we met, that unrest in Georgia's Samstkhe-Javakheti region had the potential to destabilize the entire region by closing transit and trade routes. Along

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those lines, Grigoryan said, proposals to build an alternate railway skirting Armenia would be "disaster" for Shirak.

¶12. (C) Villagers in Bavra and Ashotsk alleged that, since the March 10 protests triggered by the murder of an ethnic Armenian in Tsalka (ref B), border guards had selectively barred Armenians from crossing through the Bavra border checkpoint. According to Grigoryan, officials in the region had been ordered to steer clear of even the perception that the GOAM was contributing to the escalation of tensions in Georgia, which "could include" government orders to prevent "criminal elements" from entering Georgia and further stirring ethnic tensions.

COMMENT: REGIONAL DEVELOPMENT, MCC HIGH ON PRIORITY LIST

¶13. (C) Though political party activity ahead of parliamentary (2007) and presidential (2008) elections may be well under way in Yerevan (ref A), political parties and the personalities driving them have done little to distinguish themselves in Armenia's impoverished Shirak Province. With governing coalition parties alleged to be up to their old tricks, and a distinct lack of ideology behind emerging parties, free and fair elections in Shirak may be further away than 2007 and 2008. It is significant, however, that official Yerevan had instructed regional party leaders to conduct free and fair elections in Shirak. It may also be a sign that the GOAM is taking seriously, at least initially, our intent to hold MCC funding hostage to GOAM performance on good-governance indicators -- a message we encourage Washington to deliver at every possible opportunity.

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